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C O N F I D E N T I A L SECTION 01 OF 03 MUSCAT 000669

SIPDIS

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SUBJECT: LABOR CONCERNS LOOM LARGE FOR PRIVATE SECTOR

REF: A. MUSCAT 132

¶B. MUSCAT 534  
¶C. 04 MUSCAT 550

Classified By: Ambassador Richard L. Baltimore III.  
Reason: 1.4 (d)

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SUMMARY  
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¶1. (SBU) In a regional visit to Salalah April 15-17, PolOff met with officials at Salalah Port Services (SPS) and Dhofar Power Company (DPC) to discuss issues related to the labor chapter of the expected U.S.-Oman Free Trade Agreement, as well as customs, training, and recruitment and retention challenges specific to private-sector employment in the region. Human resource managers at both SPS and DPC lamented that poor English language skills, sub-par education, and cultural differences remain significant challenges in recruiting qualified employees from the local labor pool. Moreover, both private-sector companies said that establishing worker representation committees, particularly without some explicit guidance from the Ministry of Manpower and substantial technical assistance, will be a monumental task. End summary.

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PORT SALALAH RECRUITMENT BLUES  
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¶2. (SBU) In a three-day regional visit to Salalah beginning on April 15, PolOff met with officials at Salalah Port Services (SPS) to discuss labor, customs, training, and recruitment and retention challenges specific to private-sector companies in the region. As one of the largest companies in Salalah, SPS employs over 1400 people. The company currently exceeds a 65 percent Omanization target with over 900 Omani employees, and plans to achieve 78 percent Omanization by the end of 2007. However, many of the lowest paid positions at the port are still filled by expatriate labor with monthly salaries of about USD 260 plus housing, food, homeward passage and medical care. In contrast, the lowest paid Omani at SPS receives a monthly salary of approximately USD 655 plus a housing and transportation allowance.

¶3. (SBU) The successful Omanization program at SPS is part of the company's overall strategy to increase training and recruitment in the region. Inadequate English language skills and poorly designed curriculum continue to hamper the company's ability to recruit from the local labor pool and fully meet its target Omanization rate without significant training and expense on its part. In an effort to ease its recruitment challenges, SPS invested heavily in the newly opened Dhofar University (DU) but has been subsequently disappointed in the school's curriculum development and sub-par English program.

¶4. (SBU) The International Maritime College Oman (IMCO) may help bridge the education gap with its much anticipated opening in Sohar this September. IMCO is a joint venture between the Omani government (70 percent) and the STC Group of the Netherlands (30 percent). The college will offer the first training of its kind in Oman in navigation, maritime engineering, port services, shipping and transport management, and operational technology. Because Sohar will operate as an industrial port and currently lacks the equipment and technical infrastructure for training, a satellite campus will be opened in Salalah. SPS, with its new training facility set to be complete in August, will host IMCO courses on-site. (Note: The training facility is being paid for by the Omani government as part of the infrastructure for the expansion of berths five and six. End note.)

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PORT SALALAH WORKER COMMITTEES  
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**15.** (SBU) In addition to training and recruitment, management at SPS also highlighted its concerns about the recent ministerial decrees outlining the establishment of worker representation committees (refs A and B). Ali Tabouk of SPS human resources is currently heading the steering committee that has been assigned the task of organizing committee elections. Tabouk said that considering the collapse of two previous employee relations committees, establishing a new committee, even with the support of the Ministry of Manpower (MOM), will be a significant challenge. Tabouk also said that of SPS's almost 1400 employees, not more than four are even interested in running for committee leadership. Though he doesn't believe the signs are encouraging, SPS held elections on April 20.

**16.** (SBU) Senior representatives of SPS groused that although the company has distributed copies of the ministerial decrees promoting the committees, as well as solicited involvement through its company newsletter, any representative committee established needs explicit guidance and support from the MOM. Employees, and employers, are unlikely to see any benefit of the committees until both parties have a clear understanding of the implications and benefits of the new law. Moreover, from the perspective of SPS, and most private-sector employers in Oman, laborers already have an abundance of protection under the current labor law. Demonstrating his point, one senior SPS manager argued that although the grievance procedure at SPS is quite comprehensive, the company has had to heavily compensate eight employees in the last six years in order to dismiss them. Management argues that both the MOM and the courts are heavily biased toward the employees and that companies are asked to take on an unfair burden in absorbing the cost of cultural no-no's in dismissing unproductive employees.

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DHOFAR POWER COMPANY SEEKS ENGLISH LANGUAGE SKILLS  
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**17.** (C) In highlighting the importance of labor rights in the expected U.S.-Oman Free Trade Agreement, PolOff met with another of Salalah's most prestigious employers, Dhofar Power Company (DPC), a subsidiary of U.S.-based PSEG Global. General Manager Yaser Tobeh (protect throughout) said that with 93 employees, including 52 expatriates, DPC has achieved 42.3 percent Omanization. The lowest paid expatriate receives about USD 850 per month plus a housing and transportation allowance. In contrast to the unskilled Omani wages for SPS, the lowest-ranking Omani at DPC, an Omanized position of driver, receives about USD 310 per month plus housing and transportation. According to one businessman, before policies of Omanization, no Omani would have considered this sort of unskilled position.

**18.** (SBU) DPC representatives, echoing the comments of SPS officials, also said that one of their most significant recruitment challenges is finding qualified applicants with competent English language skills. Moreover, senior recruitment officers bemoaned that the curriculum at DU is inconsistent with the needs of the business community and is mediocre at best. Hoping to engage DU and influence future curriculum development, DPC currently offers DU engineering students training opportunities in exchange for employee English classes at DU. (Note: Employees at DPC who have taken English classes at DU have complained that the classes, with an Egyptian teacher, are inadequate. End note.)

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LABORERS PERCEIVED TO HAVE UPPER HAND IN THE COURTS  
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**19.** (SBU) Although DPC has not yet established a worker representation committee, the company has started laying the framework for employee involvement. Unfortunately, as with SPS and other private-sector companies, there is a fundamental lack of understanding of the role of the committees and the potential impact on businesses. DPC managers said that officials with the MOM, unfamiliar with the concept themselves, are unable to provide any guidance or concrete assistance with the new committees. Managers also complained that laborers in Oman already have the upper hand, suggesting that there is an overlap in authority between the MOM and the courts (who rely on consensus rather than law). Private-sector management argues that employees, knowing the labor court will more than likely compensate them with something, have an enormous incentive to take companies to court.

**110.** (C) Tobeh, relatively frustrated with doing business in Oman, said that he was particularly disappointed over DPC's lengthy struggle to settle a dispute regarding unrefurbished turbine generators that DPC was required to purchase from the Omani government as part of its original concession (ref C). Although it appeared the case was nearing an amicable settlement in 2004, it has now been moved into arbitration with the International Court of Arbitration.

**¶11.** (SBU) Despite DPC's legal challenges, in Tobeh's short time at the helm, he has led DPC through a successful restructuring and, more importantly, the company's first profitable quarter in March. Moreover, DPC raised almost USD 225 million in its initial public offering (IPO) in April, signaling a strong investor interest in independent water and power projects in Oman.

COMMENT

**¶12.** (SBU) Oman's private sector continues to struggle with understanding and implementing the recent ministerial decrees establishing worker representation committees. While many members of the business community have demonstrated their progressive policies in establishing committees, the majority of companies feel that until the MOM provides more specific guidance, preferably through detailed decrees, established committees may come to a standstill over uncertainties about their scope and operations. Nevertheless, the number of new workers committees continues to rise. Eventually, they may just shape for themselves the roles they will play in Oman's evolving civil society.

BALTIMORE